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TAGS: ECON ETRD EFIN TU ADANA

SUBJECT: TURKEY: SOME ENTREPRENEURSHIP EMERGING IN EASTERN MED ZONE

¶11. (SBU) Summary: The adaptability of the business community along Turkey's eastern Mediterranean coast to new opportunities created by the changes and growth in Turkey's economy contrasts with the rest of the region's traditional agricultural and industrial communities. These coastal businesses are both more entrepreneurial and more anxious to take advantage of the region's location to build links with other countries in the region. In visits to the Turkish-Arab Businessmen Association, the Mersin Free Zone and discussions with Mersin shipping agents we saw this new vision at work. End Summary.

TURAB LOOKS TO MIDDLE EAST FOR GROWTH

¶12. (U) TURAB (Turkish-Arab Businessmen Association) was established in 2003 by a group of businessmen with the purpose of promoting bilateral trade between Turkey and Arab countries, and certain countries in Central Asia such as Turkmenistan, Azerbaijan, Kazakhstan. They chose the port city of Mersin to the west of Adana as TURAB's headquarters due to its central position in the Middle East region and transportation capabilities. The association plans to open branches in Turkey's largest cities in 2006 and to establish a commercial network that would speed up data exchange among members. TURAB's President, Mehmet Hadra, told us he was counting on increasing Turkish exports to the region of products like automotives; durable goods; textiles and apparel; processed food; organic food and vegetables; and construction materials.

¶13. (U) Association members doing business with Arab countries explain that they export to the bulk of those countries through L/C's (letter of credit) or EFT's based on CAD (Cash Against Documents). They have only had payments problems with Algeria and Sudan. They said that in some cases, most commonly with Sudan and Algeria, they use "hawala" networks (informal transfer outside the banking system). (Note: The use of such systems is illegal in Turkey. End Note) Given Mersin's newly privatized port facilities and the region's large land transport industry, Hadra and his colleagues see potential for increasing transit trade, including for U.S. companies, through Turkey to Iraq and other countries in the region.

MERSIN FREE ZONE SEES PRIVATIZED PORT AS A BOON

¶14. (U) Mersin Port is indeed a port of growing importance in the Mediterranean basin. Established on an area of 776.000 sqm, the Mersin Free Zone (MFZ) started its activity in 1987 as the first free zone of Turkey. The Port was recently "privatized" (actually a long term management concession agreement) and is now being run by a private Singaporean company that has plans to make significant investments.

¶15. (U) Linked to the port is the Mersin Free Zone. Turkey's free zones lost much of their attraction to investors when they were stripped of some of their tax free status for income and corporate taxes in 2005. Nonetheless, Edvar Mum, the General Director of the zone's management company, MESBAS, says he is optimistic. He believes that SME's from the EU are migrating to the east, namely, Turkey and Romania. He is also counting on the new port management to bring in more transshipment business to Iraq, Egypt, and other countries in the region, as well as to the Turkish hinterland. Mr. Mum said he hoped Mersin eventually could challenge Alexandria's container transshipment business. Furthermore, Mum hopes that some of the exemptions will be restored. He said some AKP (Justice and Development Party) MP's are preparing to present a proposal to the Turkish parliament that extend the time restriction in tax exemption until 2019. The zone's annual trade volume figure for 2004 was \$2.7 million, while it was around \$2.0 million for 2005.

YUMURTALIK IS BECOMING REGIONAL SHIPBUILDING CENTER

¶16. (U) With an area of 4.5 million square meters, the Adana Yumurtalik Free Trade Zone (TAYSEB) to Adana's east is one of the largest free trade zones in Turkey and the first and only Turkish free trade zone designed for heavy industry. With nearly unlimited space and a solid supply of electricity, water and

communications infrastructure, TAYSEB provides opportunities for E.O. 12958: N/
a wide variety of industrial and commercial business, including heavy industry and transit operations.

17. (U) TAYSEB's manager, Muharrem Pusa, says that 18 companies are active in the zone, three of which have made an investment of about \$40 million. ANK industries owns a large plot that the two foreign petrochemical business which it hopes eventually could be linked to the growing Ceyhan energy hub. He is most excited about a new \$350 million shipyard project by Turkish Hay Sipbuilding, which will create one of Turkey's largest shipyards. Expected to reach full capacity in 4 years, it will be capable of building 12 ships per year. On completion of the dockyard, Pusat expects an annual sales volume would be around \$1 billion, compared to about \$80 million in 2005.

REGIONAL SHIP REPAIR, REFIT BUSINESS

18. (U) Meanwhile, another shipyard project, in the Silifke area near Mersin, was approved by the National Security Council (MGK) in 1999 and allocated 425,000 square meters of land by the Turkish Cabinet. In October 2003, a joint venture of the Mersin Chamber of Shipping, Mersin Chamber of Industry and Commerce, and Silifke Chamber of Industry and Commerce group called the Ortak Girisim Grubu (MOGG) was awarded a 49-year BOT (build-operate-transfer) contract for the port. However since March 2004, when the opposition CHP won local municipal elections, several lawsuits citing environmental concerns have been filed against the project. If the legal disputes are settled, this could become the first civilian dockyard to service ships from Turkey as well as those from Syria, Lebanon, Israel and Egypt, says Cihad Lokmanoglu, the President of the Mersin Chamber of Shipping.

COMMENT: WELCOME ENTREPRENEURIALISM

19. (U) This positive outlook along the coast is an example of how the improvements in Turkey's overall economy are being reflected in the regions. It reflects the changing economic base of this corner of Turkey, which is moving away from traditional industry, such as textiles, and agriculture (fruits and cotton), to a services-oriented economy. Many local businesspeople see the region's future in bridging Turkey to the Middle East. Transit business with northern Iraq holds considerable potential in the medium term, while the longer term depends on economic and political stability and development in the neighborhood.

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